STATE COMMITTEE REPORTS

New South Wales

By MELWYN NORONHA, secretary

And yet another year goes by at the helm of the New South Wales State Committee, dealing with a range of shipping and logistic issues. Bill Rizzi continues to be the committee's chairman.

SAL moved into new premises this year in the Fair Work Commission building on William Street, Woolloomooloo. Meetings this year were held at the 1-Stop, Hutchison terminal and Port Authority of New South Wales. The last meeting for 2019 was held on 11 December 2019.

New South Wales Freight Advisory Council refreshed

SAL State chairman continues to be a member of the council. As a result of the New South Wales State election earlier this year, the council has not convened, and SAL has been advised that the council is being refreshed. It is imagined that SAL will continue to be represented and contribute in providing advice on shipping related matters, especially relating to freight in and around port areas.

Verified Gross Mass (VGM) – three years on

It is now three years since the International Maritime Organization (IMO) amended the International Convention for the Safety of Life at Sea (SOLAS), introducing the requirement to verify the gross mass of a full container prior to its loading on board the vessel.

SAL's State Committee continues to monitor any happenings in the VGM Space, to sense any onset of behavioural change in the supply chain.

The committee continues to seek input from its members shipping lines, stevedores and AMSA, for any early sign of non-compliance.

As mentioned last year, the realisation of the IMO's VGM regime would be evident if regulatory authorities were to publish their policing activities (if any), similar to those published for Port State Control. Industry continues to be in a vacuum in terms of data, and one would not wish to see that a lack of adequate policing by regulatory authorities worldwide is encouraging shippers to ignore the rules.

SAL continues to advocate regulatory interventions of onshore premises where VGM calculations may originate, to add reliability to this regime.

Mis-declared dangerous cargoes – an emerging issue

Following on from VGM, non-declaration and misdeclaration of dangerous goods has been thrust into the industry spotlight, following a spate of containership fires.

The MSC *Flaminia* incident in July 2012, claimed three lives and has led to regulatory changes, as well as a seminal judgment on liability between stakeholders. The *Maersk Honam* incident in March 2018, in which five seafarers were killed, has become the catalyst for the kind of industry resolve that began to take shape throughout 2018. While the *Yantian Express* fire in January 2019 – followed by others through the year – has raised the volume of concern further.

The frequency and severity of incidents has set alarm bells ringing. Container shipping is now highly focused on an issue that not only incurs significant extra costs and delays to cargoes but more importantly, puts lives at risk. Big name box carriers including Maersk, Hapag-Lloyd, Evergreen and OOCL have all introduced fines for shippers who mis-declare dangerous goods.

Stakeholders worldwide are exploring industry's efforts to stamp out undeclared and mis-declared shipments, poor packing and securing, as well as other cargo-related malpractices, while highlighting the gaps that remain, and necessary actions to protect lives, the environment, ships and cargo.

The general consensus is that shippers must take more responsibility in mitigating the malpractice of cargo misdeclaration, which has led to these containership fires over the past year.

The Code of Practice for Packing of Cargo Transport Units, a joint International Maritime Organization/ International Labour Organization/ United Nations Economic Commission for Europe instrument, known as the CTU Code, has been in place since 2014. However, unlike the IMDG (International Maritime Dangerous Goods) Code, it is not mandatory.

In the absence of a regulatory body to enforce these guidelines, the reporting responsibility for ensuring that the contents in a container are correct, falls firmly with the shipper.

Shipping channel service at port of Newcastle – price controls revoked

The case of the declaration of the shipping channel at the Port of Newcastle, as a service, continued into this year, along with the Australian Competition Tribunal deciding to revoke the declaration it made in 2016.

The sale of the Port of Newcastle in 2014, saw a 68 per cent increase in the navigation service by the new private operator, Port of Newcastle Operations Pty Ltd (PNO).

Readers will recall that in June 2016, the ACT declared the shipping channel service in Newcastle, under the relevant section of Part IIIA of the Competition and Consumer Act, from 8 July 2016 until 7 July 2031. This meant that disputes relating to the price of access to channel services (navigation service charge) were subject to an independent and binding arbitration by the ACCC, with the potential for consequent changes in prices and revenue (depending on the outcome of any arbitration).

However, in July 2018, PNO made another application to the National Competition Council seeking a revocation of the declaration of the shipping channel service at the port of Newcastle. The Council commissioned a consultant to assist the council's consideration of whether declaration of the shipping channel service at the Port of Newcastle would be likely to satisfy the criterion set out in section 44CA(1)(a) of the Act, in respect of the coal tenement's market. The consultant's report was completed in April 2019.

In July 2019, the Minister, the Hon Josh Frydenberg MP, received a recommendation from the council recommending the declaration of service at the Port of Newcastle made in 2016, be revoked.

The Minister did not publish his decision on the council's recommendation within the stipulated 60 day period, which meant that a decision to revoke the declaration had been made. This means PNO will continue to remain an unregulated monopolist that is able to determine the terms and conditions of its access with little constraint, and further

SAL New South Wales Christmas lunchon (left to right): Philip Holiday, CEO Port Authority New South Wales; Eddy Declerq CEO OOCL; Marika Calfas, CEO NSW Ports; Bill Rizzi, chairman SAL New South Wales State Committee; Nicolaj Noes, CEO Svitzer; Robert Dunn, chairman Port Authority of New South Wales, Paul McClintock AO, chairman NSW Ports; Rod Nairn, CEO and Scott Henderson, chairman, SAL

price increases (such as those in 2014) at the port will follow.

In its submission on this issue, the Australian Competition and Consumer Commission (ACCC) raised concerns about the broader impacts of unregulated monopolists, and the potential for unconstrained market power to be used to the detriment of users and to competition in related markets.

It noted that if the Part IIIA access regime does not apply to an unregulated monopolist, there may be an increased need and consideration for alternative industry-specific access regimes to address specific instances of market failure.

The chronicle on this matter continues, with Glencore and the ACCC appealing the ACT ruling and lodging separate

Guests enjoy the SAL New South Wales State Committee Christmas lunch

appeals in the Federal Courts of Melbourne and Sydney.

Navigation Service Charge: double charging - bureaucracy or opportunism?

In recent months, a development has emerged in the Port Authority of New South Wales' approach towards the application of the navigation service charge. Attempts are being made to reverse a long-standing pricing practice in the application of this charge, which on average, amounts to $60,000 per vessel visit.

It is a well-accepted phenomenon for ships visiting a port on a single voyage, to be required to shift berths for a range of reasons, such as completion of a discharge and move to another berth to load another cargo, or in the case of the tanker trade, move from berth to berth to load and/or discharge different parcels of cargo. In doing so, based on the circumstances and availability of berth space within the port facility, the vessel could be required to leave the berth and temporarily anchor before re-entering the port. Such has been this operational procedure worldwide, and ships and ports are not foreign to it.

The same has been a historical long-standing operational procedure in New South Wales ports, especially Port Botany and Port Jackson. Prior to corporatisation of these two ports and even after (1995), vessels have undertaken the following operational procedure at these two ports:

a) Moved between Port Botany and Port Jackson and vice versa; and

b) Re-entered each of them after temporarily leaving for reasons outlined above.

The same practice continued after the privatisation of Port Botany and Port Kembla in 2013.

When carrying out any of the above procedures, the pricing practice of the former Maritime Services Board, Sydney Ports Corporation, as well as the current Port Authority of New South Wales, has been for the navigation services charge (NSC) to be applied only once to the vessel in either of the above cases.

In 2002, to formalise the above long-standing and operational procedure and pricing policy, the *Ports Corporatisation & Waterways Management Regulation 1997(NSW) (now known as the Ports and Maritime Administration Regulation 2012*) was amended accordingly, as an exemption from the requirements of the overarching Act. However, the exemption erroneously only included movements between ports i.e. (a), and not re-entry to the same port on the same voyage.

This can only be construed as a glaring omission at the time, as the existing pricing policy (to charge once for re-entry) continued for over 17 years, even after the amendment to this Regulation.

However, after 17 years, early this year the Authority started to issue invoices to apply the NSC twice. This occurred where vessels were forced to leave the port boundary for operational reasons and re-enter despite being on the same voyage and not having travelled to another port.

This new opportunistic approach plainly departs from the long-established precedent, ignores the limitations of each port, and has raised concerns among SAL members, especially those in the bulk fuel trade. Bulk fuel vessels are being forced to depart the port due to berth congestion and tidal restrictions, coupled with the lack of a suitable anchorage or other alternative within the port limits. They already incur additional pilotage and towage charges and should not be further financially penalised due to the limitations of the port.

Shipping Australia considers such an approach unfair, given the set precedent and the long-standing operation procedure and pricing policy applied. It has reached out to the Authority to adopt a pragmatic approach, as well made a submission to Transport for NSW as the government agency, who have for some time been undertaking the periodic review of this Regulation. It is timely that this long-established pricing precedent be accurately incorporated into the Regulation (as was done in 2002) to include circumstances where a vessel, for operational reasons, may be required to leave a port and re-enter.

In effect, two ports are being treated as one, but attempts are being made to treat one port as two when applying the NSC. One hopes that pragmatism prevails, and the reviewed Regulation is amended accordingly.

IMO's 2020 Low Sulphur Fuel (LSF) - it's here!

The worldwide implementation of this important new IMO requirement from 1 January 2020, is only days away and as one publication put, it is chaos.

Most of the shipping lines have by now, already decided on the best way to deal with this new sulphur cap, with a combination of options such as burning compliant fuel, installing scrubbers or retrofitting with LNG engines.

Apart from the significant additional cost of compliant fuel, implementation will be complex because of the sheer magnitude of the switchover, and the much larger quantities and different types of fuel involved, as well as continuing uncertainties about the availability of compliant fuels in every port worldwide, immediately after 1 January 2020.

Recent reports from Singapore suggest a shortage of bunkering vessels. Fuel barges are being taken offline for tank cleaning ahead of IMO 2020, which is causing delays. At the same time Bloomberg noted that the preparations for the IMO 2020 switch and resultant longer waiting times for delivery, were causing confusion and congesting bunkering anchorages in the Malacca Strait.

According to the Maritime and Port Authority of Singapore, the cleaning of barges' cargo tanks is being carried out progressively with 30 per cent already completed, and the authority is working closely with industry stakeholders on a smooth transition to supply compliant fuel, and doesn't expect any congestion from 1 January 2020.

In particular, fears have been raised that new fuel blends are likely to cause mechanical failures in ships, jeopardising the overall safety in the industry and causing disruptions to the global trade. Masters should exert caution when controlling movements at critical junctures of their passage plan, especially when in port areas.

In the Australian context, following some persistence from SAL, the fuel oil supplier lists have now been updated on AMSA's website: https://www.amsa.gov.au/marine-environment/air-pollution/register-local-fuel-oil-suppliers. AMSA has advised that this list will be kept updated with any new information from suppliers, as it comes to hand.

AMSA has advised port users to discuss their fuel requirements with suppliers, as low sulphur fuel oil (LFSO) may be available at additional locations where heavy fuel oil (HFO) is supplied, via prior long-term contractual arrangements.

It is estimated that 20 per cent of the approximately 300 barges supplying HSFO in Singapore have already switched to supplying LSFO.

Functions

The Committee arranged three sensational lunches during the year.

In June, Ms Eleni Petinos MP, Parliamentary Secretary for Transport and Roads, was the guest speaker at the Parliamentary Luncheon, and in September, Grant Gilfillan, CEO Port Authority of New South Wales, and Nicolaj Noes, CEO Svitzer, spoke at the Biennial Newcastle Luncheon held at the Newcastle Club.

As always, the year's finale event was the SAL New South Wales Christmas Luncheon. Held at a new venue, the Hyatt Regency's Maritime Ballroom, the lunch was a sell out and resounding success. Sponsored by NSW Ports, with entertainment sponsored by the Port Authority of New South Wales, members and their guests enjoyed this fantastic venue. Shipping Australia once again sponsored the table gifts this year and, as was the case last year, invitees included seafarers from a visiting ship, who were transported to and from the venue by the Mission to Seafarers.

The chairman and secretary are extremely appreciative for the continued support and interaction by all members of the New South Wales State Committee at the meetings, and their input on issues that impact shipowners and agents.

New challenges are on the horizon for the new year, with the management of empty container parks and containers being one. The ongoing need for these parks will be an interesting consideration as new intermodal terminals becoming operational.

Queensland

By GEOFF DALGLIESH, secretary

In last year's review, I remember starting off with a comment that this dreadful drought was having a huge effect on our agricultural industry. It has affected all areas of agriculture and, in particular the grain industry.

All ports in Queensland involved in the import and export of agricultural products have been hugely affected. While the drought continues, the damage it has on other industries that supply and or provide services, is also horrendous.

All we can do is pray that we have a very good wet season to put smiles back on our farmers faces, and the same for the communities they live in, and above all improve hope in their hearts.

Moving on from the drought, it appears that the climate in the shipping industry, in particular the liner industry, has cooled somewhat from the turmoil of the previous five or six years. Still, with the continued increase in size of vessels, the drought conditions and import and export fluctuations, it is hard to see these larger vessels being filled easily.

It must have an effect on rate levels, and with the introduction of the new lower sulphur emission levels next year, also an effect on costs. Despite vessels being newer and bigger and more efficient, the increase in running costs, bunkers etc., must take its toll, and I wonder whether this in itself will create more activity for this sector of the industry.

Liner TEU volumes are down year to date, to and from our major ports. Overall imports are down by as much as 20 per cent for some ports, with one up by approximately 5 per cent. So, there is a lot of variation there. On the other hand, exports from major ports are down between 5 per cent to 12 per cent.

Motor vehicles have suffered as well, with statistics down from the previous year, between 12 per cent to 15 per cent.

Bulk commodities have fared pretty well over the year, either being slightly up or at least level with the previous year.

Wind turbines have made a solid contribution to our imports over the year and will continue, as it is related to the State Government's target of getting Queensland to their 50 per cent renewable target by 2030.

In May, we held our annual Golf Day, which was well attended and raised $2,000 for the Mission to Seafarers and Stella Maris. We had 92 players attend this year and all enjoyed the day immensely. Again, I must thank the sponsors for their contributions to help make the day so successful.

Our Annual Shipping Industry Maritime Ball was in October, with 140 people attending. Our venue this year was Events on Oxlade, New Farm. We had a new band and a new venue. P&O Cruises provided our major raffle prize this year, which was a three day cruise for four people. In addition, Smit Lamnalco sponsored three prizes of Visa cards. We are extremely grateful to all our sponsors, major and minor, who commit to this special evening every year. Without their support, the Ball would not happen. Our beneficiaries this year are Mission to Seafarers and Stella Maris, with a donation of $4,000 each from funds raised at the Ball. I would also take this moment to thank the contribution from the Ball Committee, for all their work and commitment to making the night a success.

Other issues during the year, which we are currently or will be affected by, are the new Biosecurity Levy and the introduction of lower fuel sulphur levels, from January next year, which have been widely reported nationally.

A local issue in Brisbane, on the use of Qships (at least up to the 24 hour window) and how it was not fully utilised by some users, has been resolved and should streamline its use for all users in the future.

On another note, the SAL Queensland chairman's seat has been vacant for the past year and a half, but I am pleased to officially announce the position will be filled at the start of 2020. The new chairman is Michael Travers, from MSC. We wish him well for his tenure over the next two years.

Finally, the SAL Annual Luncheon was held in December, with special guest speaker being Sam Thaiday. Sam spoke about his football career, highs and lows and where he sees his future career. Sam is a very good presenter and very humorous.

I must say again, thanks to all our sponsors for the support of our functions over the year, and all the suppliers within our industry that do the same.

Finally, I would also like to offer thanks for all the support, advice and friendship given to me from many people within our industry over the year.

May I take this opportunity to wish all members, associate members and readers, a very Merry Christmas and a happy and safe New Year and 2020.

South Australia

By ROD NAIRN, secretary

After the time-consuming process of gaining Environment Protection Authority approvals earlier this year, the completion of the Adelaide Outer Harbour channel widening in November has paved the way to Adelaide hosting post panamax ships. Also this year, the port launched two new pilot vessels to support increased shipping trade. Paul Paparella (Asiaword) continues as South Australian State Committee chairman, keeping abreast of State and local matters and representing Shipping Australia on the South Australian Freight Council.

Western Australia

By ROD NAIRN, secretary

In Western Australia, Kristy Craker (Ship Agency), has completed her first year as State Committee chairman, and presided over two State Committee meetings in May and October.

At Fremantle Ports, like other capital city ports, the big effort to accommodate larger container ships is starting to pay off. Through simulation, under keel clearance prediction and real-time wave and tide monitoring, ships of 9,500 TEU have already visited the port, and they are expected to get even bigger. The limitation is that bulk liquids berth No. 1 must be clear when ships greater than 315 metres long and 43 metres beam enter or depart. The limiting factor for length is the ability to swing ships in the river which is about 340 metres.

The DP World terminal is already equipped with 50 metre reach, post panamax quay cranes, and in May, a similar crane was installed at the Patrick terminal, with another to arrive early in the new year.

From an infrastructure perspective, the development of options for a new container port 'Westport' has been the focus of much attention. While the final decision and timing is as yet undecided, the original 25 options have been reduced to five and realistically down to two: a long-term container port development at Kwinana, and for the short to medium-term, a shared option between the existing Fremantle port and a new Kwinana development. But for either of these to work, there are some important actions which are being taken now, including: preserving the transport corridors to Kwinana; optimising Fremantle for the short-term, and resolving the conflicting environmental and residents' concerns relating to the Kwinana development.

In the north of the State, Port Hedland continues to set volume records as the largest iron ore port in the world. Their channel risk optimisation project was completed in September, providing an emergency passing lane and improved capacity. A new port control tower was commissioned in July.

Victoria

By CHARLES MASTERS, secretary

The State Committee met during December 2018, which incorporated its AGM, installing Rod Begley (Swire & Co) as State chairman and James Kurz (Coastalbridge) as deputy chair. The appointment of both has been hugely positive, both bringing the necessary experience and enthusiasm to the Victorian Committee's activities.

Four quarterly meetings were undertaken during 2019, with three events staged, namely the Annual Golf Tournament for the Phil Kelly OAM Perpetual Trophy, a breakfast with two guest speakers discussing the "Tech Takeover of Shipping" and finally our Christmas Luncheon held at the first home of Australian Tennis, Kooyong Lawn Tennis Club.

The year was punctuated with a number of developments, no less the relentless rationalising of services. This in part was brought on by reduced demand, uncertainty around the Federal political and global trading environment, and a drought decimating large tracts of otherwise productive acreage. Larger capacity hardware deployed, also played its part in destabilising a number of trades and or reducing the frequency of some services. Sadly, redundancies usually result from rationalisation, and this appears set to continue, with technology extracting further change to work practices across industries. On a more upbeat note, the collaboration between Victorian Channels, Port Phillip Pilots and Svitzer, to navigate vessels of 324 metres and 43 metre beam, to Swanson Dock has been remarkable. Swanson Dock was designed around the limits Panama Canal originally afforded, with vessels maxing out at 32 metres.

In bringing larger capacity vessels into Swanson Dock, the Port of Melbourne proposed to undertake a $300 million investment to increase rail capacity, with a view to recovering the outlay through a levy added to existing import wharfage charges. This created consternation among member lines, who sought clarity around co-development of inland rail depots. Of greater concern was Webb Dock would remain at a commercial disadvantage until it had access to rail, in turn the inland distribution terminuses. Whilst we agree more has to be done to remove heavy vehicle traffic within the precinct of the port, we remain to see a study exploring the viability of deploying barges on Port Phillip Bay to assist with the decentralising task.

One member with the technology to weigh containers during the vessel exchange, regularly reported a high level of variance to declared gross weights, mostly involving import containers from less regulated jurisdictions. The subject has been addressed to AMSA through the Policy Council, the primary concern being a fatality occurring beyond the terminal gates, a coroner could well find culpability across several actors.

The second pilotage service which adopted helicopters to convey pilots around, was sold during the year to a group involved in pilotage at other Australian ports. The recapitalisation of this pilotage service likely brings an elevated commercial tone to the sector, which until this juncture enjoyed the status of a monopoly.

The year also began with much consternation around Australia's capacity to provide low sulphur fuel, given the country had been behind other supply points in providing updated specifications, particularly as required by owners with newer tonnage. Suffice, the 8th round table held in Melbourne appears to have the subject largely under control, with Viva Energy set to produce the required specification of LSF in line with IMO rules. Of interest is the consideration given to different scenarios where a vessel experiences a technical issue. Of paramount importance is prompt reporting of any failures to AMSA. It will not be acceptable to report a failure outside Port Phillip Bay, without also providing a remedial plan.

Following on from our 2017 breakfast where the subject of Blockchain was first introduced, major carriers have since collaborated to establish Tradelens. At this stage, a few Asian-based carriers have so far not joined Tradelens. However, it is understood the Chinese Government seeks the adoption of Blockchain and on this basis, those carriers and associated providers who remain ambivalent to Blockchain processes may struggle. Recent headlines highlighted the necessity of Blockchain to provide end users the validity and security of knowing in particular, the origins of food. Seemingly for every kilogram of Australian beef sold in China, a further nine kilograms could be fake. One company exporting beef to China is putting systems in place, and with the adoption of blockchain ledgers ensuring the products origin from feedlot to fork, is secured to fight fraudulent activity.

At our 2019 Tech Takeover of Shipping breakfast, the CEO of Infrastructure Victoria spoke of the revolution around autonomous vehicles, including heavy vehicles, whilst ASX listed Wisetech Global spoke of the advancements made through their Cargowise product, and its substantial penetration of the local forwarding market. On this score, it remains to be seen if Wisetech Global will be sympathetic to Blockchain applications, as its forwarder base finds the wider trading community adopting the common ledger.

The Christmas lunch again proved a highly successful event, with John Silvester, a crime reporter and regular radio broadcaster, providing insights and commentary around matters involving the underworld in Australia, more particularly in Melbourne. The preceding AGM unanimously re-elected Rod Begley and James Kurz for another term as chair and deputy chair, respectively.

May we extend to all readers, seasons best wishes and lastly before we forget, Westlink Container Park won the Phil Kelly OAM Perpetual Golf Trophy for 2019.